

AFRICA

U.S. National Interests

Today, promise, potential and opportunity exist in Africa. The hope for the future is based on current experiences in many countries on the African continent. This is good news for the United States. A more prosperous, healthy and stable Africa is in America's best interest, and contributes to U.S. efforts to foster world-wide economic growth and increased trade, and to combat transnational security threats.

Here are but a few examples of the good news. Africa has enormous potential to become a significantly larger player in global trade and commerce. The positive results of the African Growth and Opportunity Act (AGOA) of 2000 demonstrate this potential. In the first six months of 2002, AGOA imports totaled almost \$4 billion, a 20% increase over the same period a year earlier. Textile and apparel imports increased seven-fold and transportation equipment more than doubled. Foreign direct investment in Africa has also increased from just under \$1 billion in 1995 to \$6.3 billion in 2000.

With regard to the HIV/AIDS pandemic, encouraging results from Uganda and, more recently, from Zambia, demonstrate that the right responses, combined with political will and strong leadership from the top, can be effective in reducing prevalence rates. There are other positive health indicators on the continent. Infant mortality under five has decreased in a number of countries between 1960 and 1999. In Botswana, for example, infant mortality has declined from 173 to 59 per 1,000 live births and in Mali from 517 to 235 per 1,000 live births.

Another good sign for the continent is that support for democracy continues to grow: civil society has become increasingly vibrant, increased freedom of the press and new communications media such as the internet have expanded public access to information, and citizens are now more aware of their basic human rights. According to Freedom House, over the last decade, the number of free democracies in Africa has more than doubled from four to 10 and more than half the countries on the continent are in the transition process. The successful 2002 elections in Kenya and the anti-corruption drive in Zambia further underscore this trend.

Experience has shown that for countries to realize their full potential, and to take advantage of opportunities to address the principal constraints to poverty reduction, they must start from within, in partnership with the international community. This certainly applies to Africa. That is why the New Partnership for Africa's Development (NEPAD), launched in 2001, provides a welcome new framework for Africans who plan to take charge of their own destiny. Given what we know about ownership of the ways in which the challenges of the continent can be met, the U.S. and the international community have embraced NEPAD and have encouraged African leaders to move deliberately and purposely forward with its agenda.

Sustained economic growth and increased agricultural production in Africa reduce the need for the United States to provide costly and often recurring humanitarian assistance. Preserving the richness and diversity of Africa's natural resource endowment and sound management of the continent's resource base are key to global efforts to promote environmentally sound economic growth. Also, transparent and accountable governance structures make it more difficult for potential terrorist networks to form and operate effectively.

Despite these very positive developments, sub-Saharan Africa still faces some formidable challenges in its efforts to improve the standards of living for all of its peoples.

Development Challenges

Reducing Poverty through Broad-Based Economic Growth Sub-Saharan Africa has not been spared in the global economic slowdown of the past three years, yet its effects have not been relatively as severe as elsewhere. GDP in the region grew by 2.5% in 2002, continuing a downward trend from 3.0% in 2001 and 3.3% in 2000, following the significantly higher growth rates of the mid-1990s. However, the World

Bank forecasts that growth will accelerate to 3.2% in 2003 and 3.8% in 2004 -- about 1.1% per capita -- as the world economy recovers and important structural reforms and economic liberalization measures taken by many countries begin to bear positive results. Nonetheless, sub-Saharan Africa remains the world's poorest region, and average living standards lag far behind those in the rest of the world. Almost half of Africa's 690 million people live on less than 65 cents a day. At the current population growth rate of 2.6% a year, reaching the Millennium Development Goal (MDG) of reducing poverty levels in sub-Saharan Africa by 50% by 2015 will require a 7% annual growth rate. Economic growth has also been highly uneven across the continent, with gains by leaders such as Mozambique, Mauritius and Botswana offset by poor performances in Zimbabwe and Kenya. Income disparities within many countries also remain severe. To reach the MDG for reducing poverty, concerted action is required along multiple fronts: increasing agricultural productivity and improving the competitiveness of African products; diversifying the economic base; building human capacity through improved educational opportunities, especially for girls; expanding information and telecommunications networks; strengthening African capacity to manage economic and natural resources; improving the enabling environment for trade and investment and curbing the spread of HIV/AIDS, malaria, and tuberculosis.

Agriculture is the mainstay of most sub-Saharan economies, supporting over 70% of the population and contributing an average of 30% of GDP. An increasing number of countries have taken initial steps to reform their economies by re-emphasizing rural agriculture-led growth. Nonetheless, agricultural productivity has stagnated over the past five years, and per capita food production has declined to 1980 levels. The most significant constraints to increasing agricultural productivity include low usage of improved technologies and information, under-capitalization of farmers, poor land use and insecurity of tenure, poor infrastructure, and inappropriate policy and regulatory frameworks that create distortions in markets and disincentives for efficient production. Food production has also been negatively affected by the rise of HIV/AIDS, as productivity is compromised by the need to care for infected family members. This past year has also seen drought conditions return to parts of the continent, particularly the Horn of Africa and southern Africa regions, where food assistance programs have been scaled up to avert famine.

In today's era of globalization, economic growth depends increasingly on an educated workforce that is poised to take advantage of opportunities. Education is also important to sustaining democracy, improving health, increasing income and managing environmental resources soundly. Africa continues to lag far behind the rest of the world in investment in its people. The region suffers from an average illiteracy rate of 41%. With 61% of boys and 57% of girls enrolled in primary school, Africa is the only region of the world where access to education has actually decreased over the past 20 years. Of those who enroll in primary school, one third drop out before completion. Of those who do complete primary school, just half continue on to secondary school (20% of all children). Education is, moreover, often of poor quality, leaving children ill-equipped for entry into the workforce of the 21st century. HIV/AIDS is affecting the demand for education, as family members, particularly girls, drop out of school to care for victims. HIV/AIDS is also decimating the ranks of teachers in many countries. In several countries, two teachers must be trained for every position to compensate for anticipated deaths from HIV/AIDS. Systemic education reform is essential to prepare Africa's children for the world of today. USAID devotes most of its efforts to improving primary and basic education, because basic education, particularly for girls, has a relatively greater impact on economic and social development.

Countries that have embraced open trade have enjoyed higher rates of economic growth. Africa has enormous potential to become a significantly larger player in global trade and commerce, but there have been disappointments. The global economic downturn reduced total U.S. trade (exports plus imports) with the region by nearly 22% in the first nine months of 2002 compared to the same period in 2001, and after substantial growth in the early-mid 1990s, foreign direct investment fell by 17% from 1997 to 2000. Foreign direct investment in Africa is less than 1% of the global total and just 3.5% of flows to developing nations. Foreign direct investment is also concentrated in just five countries and in a few extractive industries. Slow growth in the industrialized world was a significant factor in decreased investment flows, but sub-Saharan Africa must also continue to address systemic constraints, which weaken its competitive environment and keep transaction costs comparatively high.

Sub-Saharan Africa has an abundant natural resource base which can be a major contributor to sustained economic growth. Several countries in the region, notably Namibia and Madagascar, have implemented highly innovative community-based approaches to improve the management of their natural resource base and to extend the economic benefits to lower income households. Major challenges remain, however: the region contains 45% of global biodiversity yet has the highest rate of deforestation in the world. Rapid urbanization and industrialization also create new environmental challenges. By 2016, over half of all Africans will reside in cities. The top-down approach to natural resource management in many countries has resulted in inefficient exploitation and contributed to degradation, while inequitable access to natural resources is often a root cause of social instability.

Global Health A healthier population is critical to Africa's efforts to reduce poverty and improve living standards. Several countries in the region have demonstrated that political commitment at the highest levels, focused programs, adequate financial resources, trained professional staff, and strong coordination of partnerships at the regional and country level can indeed make a difference in combating infectious diseases. Nonetheless, the health of Africans remains unacceptably poor by any standard. Continent-wide, the rate of decrease in child mortality has slowed over the past decade. For every thousand children born in Africa in 2003, 175 will die before their fifth birthday, compared to 100 in Asia and just six in the developed world. A woman's risk of dying from maternal causes is 1 in 15 in Africa, about 10 times higher than in Latin America and over 2,000 times higher than in North America. Unlike any other part of the world, malnutrition rates are actually increasing in Africa. HIV/AIDS has compounded these problems. Some 90% of the 600 million malaria cases per year occur in Africa and the incidence of TB is the highest in the world. Malaria is estimated to decrease the GDP of Africa by as much as \$12 billion per year. Immunization rates for children under one year of age continue to increase but they are still below 80%, leaving significant numbers exposed to vaccine preventable illness and death. One notable success has been the effort to eradicate polio, now close to accomplishment. Nonetheless, most sub-Saharan African countries are constrained by a continuing scarcity of resources and limited trained staff, and are challenged by the difficulties of decentralizing public services. To address the resources issue, several countries are experimenting with innovative ways to improve health care financing, such as community or cooperative-based programs, which have often resulted in better utilization of the service network.

Sub-Saharan Africa's HIV/AIDS pandemic is continuing to widen and deepen, and Africa remains by far the world's most affected region, further compromising its economic, social and democratic gains. HIV/AIDS prevalence rates remain above 8% in 18 of 41 African countries, and are nearly 33% in Zimbabwe and 38% in Botswana and Swaziland. Prevalence rates increased in 14 countries in 2001, including four in West Africa where the crisis has been less severe. Over 20 million Africans have died of complications resulting from HIV/AIDS, 80% of whom were in their productive years. Two-thirds of the 12 million young people living with AIDS in Africa are female. The number of orphans in Africa is expected to increase from 34 million in 2001 to 42 million in 2010, almost half from HIV/AIDS. Average life expectancy will continue to decline over the next decade, falling below 35 in several high prevalence countries, and a shrinking labor pool will slow the continent's growth rate by as much as 2% a year.

Continued high population growth rates in sub-Saharan Africa undermine the best efforts to improve the standards of living and reduce poverty. Fertility rates continue to decline in some countries, particularly those with relatively higher incomes. However, the annual population growth rate is still 2.5% per year, the highest in the world. Contraceptive prevalence rates remain under 15% in the region, although the majority of women say they desire fewer children. Even with the devastating effects of the HIV/AIDS pandemic, Africa's population will increase from about 690 million now to about one billion in 2020, further straining social infrastructure.

Democracy, Conflict and Humanitarian Assistance Political stability and inclusiveness, the rule of law, and accountability in government and the private sector enhance investment and trade and promote a more equitable distribution of economic assets and access to social services. Good governance, coupled with improved economic and social development, also reduces the vulnerability and receptivity to terrorist agendas. However, despite recent democratic successes in Kenya, Zambia and post-war Sierra Leone, much more needs to be done to improve governance in the region. The entire world is watching

the virtual collapse of democracy in Zimbabwe and the outbreak of violence in the Cote d'Ivoire -- potent reminders that democratization processes are still fragile.

Several violent conflicts have moved toward resolution during the past year, most significantly the conflicts in the Democratic Republic of the Congo, Burundi, and Sudan. However, new conflicts have arisen, and instability will remain a serious risk for almost half the countries in Africa for the foreseeable future. The severe food crises that have afflicted large parts of east and southern Africa also heighten the potential for conflict. These humanitarian crises and complex emergencies jeopardize economic development and undermine gains in the social sectors. Terrorist organizations find more fertile ground for the exploitation of vulnerable people where conflict or disasters disrupt normal life.

Public-Private Alliances In FY 2002, 36 public-private alliances between USAID and the corporate sector, foundations, universities, and non-governmental organizations were begun in 20 different countries in sub-Saharan Africa, funded with \$30 million in Agency resources and more than \$30 million from private partners. Alliances created were primarily in the agriculture, economic growth, education, and environment sectors. In addition, four larger alliances were created through the Global Development Alliance (GDA) program. There is considerable potential for additional alliances in the region in the future.

Debt Issues Debt burdens remain high in many sub-Saharan African countries. Over 80% of the heavily indebted poor countries (HIPC) are in the region, and the continent's total debt service ratio in 1999 (debt as a percentage of exports of goods and services) is 13.9%, uncomfortably close to the 15-20% mark that is considered unsustainable. Nonetheless, HIPC debt relief is now reducing debt service payments in 14 countries that have reached Paris Club agreements, freeing up public resources that can be redirected to increased social sector spending, primarily health and education.

Program and Management Challenges

Security Issues Six of 22 USAID Missions and two of the three Regional Offices in sub-Saharan Africa exist in critical and high-threat security situations. Of these eight field offices, funding for new facilities that meet new security standards has been allocated for just three.

Staffing and Operating Expenses USAID continues to rationalize its human resource base to optimize performance by shifting direct hire staff from field programs of lesser priority to those of the highest priority. Overseas direct-hire field staff levels will increase from 216 to 227, including nine additional HIV/AIDS professionals and training positions for junior officers entering the workforce. Washington-based Africa Bureau staff levels will remain constant at 91.

Other Donors The United States has replaced the United Kingdom as the largest bilateral provider of Overseas Development Assistance (ODA) to sub-Saharan Africa, and remains ahead of Japan and France. By far the largest ODA levels are provided through multilateral organizations, particularly the World Bank group, which lends almost exclusively through its concessional International Development Association (IDA) window. The European Community (EC), the African Development Bank (AfDB) and the United Nations (UN) agencies are also significant multilateral donors to Africa. Major areas of focus are education, governance, economic growth and diversification, health and agricultural development. USAID collaborates closely with other donors using the framework of country Poverty Reduction Strategies to assure synergies of its programs with those of other donors.

FY 2004 Program

In FY 2004 USAID will continue to support African-led efforts to address the most pressing challenges facing the continent today. To assure sustainability, USAID will design and implement its programs through effective partnerships with African governments, and with local, regional, national and international public, private, and non-governmental organizations. USAID strongly endorses the bold new approaches advocated by the NEPAD, particularly its focus on the need for African ownership of and full participation in development initiatives, and on the peer review process to encourage good economic and

governance performance. The centerpieces of USAID's FY 2004 program will be four Administration Initiatives, of which the first two are Presidential: the Africa Education Initiative; the Trade for African Development and Enterprise (TRADE) Initiative; the Initiative to End Hunger in Africa; and the Congo Basin Forest Partnership. Other key elements will be an Anti-Corruption Initiative; an increased emphasis on conflict mitigation and management; a significant scaling up of HIV/AIDS related programs, including participation in the Presidential Mother-to-Child Transmission Initiative; and continued implementation of the Leland Initiative to promote better access to and use of emerging information and communications technologies.

Economic Growth, Agriculture, and Trade Increasing agricultural productivity is central to accelerating economic growth and to improving the health and well being of the people of Africa. The cornerstone of USAID's economic growth and agriculture programs is the Administration's Initiative to End Hunger in Africa, launched in 2002, which will fulfill the U.S. pledge towards a global effort to cut hunger in the region in half by 2015. Through this initiative, USAID will channel significant additional resources to those high-performing countries that have committed themselves to promoting broad-based and equitable growth in the agricultural sector. The initiative will promote the use of modern technologies, expand credit to farmers, strengthen producer associations, provide better market information to farmers and traders, and enhance the economic incentives for farmers and small-scale entrepreneurs. The initiative will target crops, livestock, and environmental goods and services where African farmers have a competitive advantage. Related efforts will be made to promote private sector-led diversification of the economy, such as agro-processing, and to increase agricultural exports.

The TRADE Initiative focuses on six broad areas: (1) promoting U.S.-Africa business linkages; (2) enhancing competitiveness of African products; (3) expanding the role of trade in African poverty reduction strategies; (4) improving the delivery of public services supporting trade (e.g. customs procedures); (5) building African capacity for trade policy analysis; and (6) strengthening the enabling environment for African businesses. In partnership with other U.S. government agencies, including the U.S. Department of Commerce, the Office of the U.S. Trade Representative, and the U.S. Department of Agriculture, USAID is providing technical assistance, economic analysis, and training to countries throughout the continent by supporting experts in three regional "Hubs for Global Competitiveness." These hubs -- one each in west, east, and southern Africa -- all opened for business during the past year. In FY 2004, USAID resource levels for the economic growth and agricultural sectors will total \$223 million.

USAID's focus in the environmental sector will be on policy changes and capacity building in support of community-based approaches to natural resources management. USAID programs also contribute to international efforts to reduce long-term threats to the environment, particularly global climate change and the loss of bio-diversity. Finally, the U.S. pledged at the World Summit on Sustainable Development (WSSD) in Johannesburg, South Africa, in September 2002, to support a major new environmental initiative in central Africa, the Congo Basin Forest Partnership (CBFP). CBFP builds upon USAID's successful Central African Regional Program for the Environment (CARPE), a 20 year effort launched in 1995. This partnership will promote economic development, poverty alleviation, improved governance, and natural resource conservation in six countries through support to a network of national parks and protected areas, well-managed forestry concessions, and assistance to communities that depend on natural resources for their livelihood. USAID funding for environmental programs in Africa will total \$82.2 million in FY 2004.

The centerpiece of USAID's efforts to improve basic education in sub-Saharan Africa is the five-year Africa Education Initiative, launched by President Bush in FY 2002. This initiative will increase access to and quality of basic education through improved teacher training and curriculum development, the development and distribution of textbooks and other learning tools, greater use of information technology, and the increased involvement of parents and communities in their children's education. At the same time, USAID will continue its long-term programs that address country-level education system reform throughout the continent. USAID's planned FY 2004 funding for basic education in Africa is \$121.5 million.

Global Health and Population USAID programs to improve the health of sub-Saharan Africans focus on increasing the availability, effectiveness and access to quality health care. USAID programs address the leading causes of child mortality and morbidity such as malaria, TB, malnutrition, respiratory diseases, diarrhea and vaccine-preventable illnesses. USAID will increase immunization coverage, strengthen surveillance, and build human capacity to provide better quality care, improve community and household practices for prevention and management of childhood illnesses and promote innovative health financing strategies. USAID funding for these activities will total \$136.9 million in FY 2004. USAID will continue to support a range of family planning programs, including public education, advocacy and outreach through traditional and community structures, community-based distribution and social marketing of contraceptives and encouragement of child spacing practices. Funding for reproductive health programs will total \$80 million in FY 2004.

HIV/AIDS is the major health priority for USAID in Africa. USAID will maintain its focus on primary prevention and expand its coverage of services, including those for orphans and vulnerable children. Pilot care and treatment programs will be introduced in several of the most-affected countries. USAID will also assist countries to access the Global Fund to Fight AIDS, TB and Malaria. Reflecting the continuing spread and deepening impact of HIV/AIDS on economic and social development in the region, USAID plans a major increase in funding in FY 2004 for HIV/AIDS-related programs, to \$325 million, 77% higher than the FY 2002 level. HIV/AIDS programs represent 31% of all USAID development assistance funding in Africa. Programs will build on successful activities in Uganda, Senegal, and Zambia, which include voluntary counseling and testing, social marketing of condoms, programs designed to encourage people to adopt lifestyle changes that will better protect them from HIV/AIDS infection, and care and support for orphans and other vulnerable children. Programs to prevent mother-to-child transmission of HIV and care and support activities for persons affected by AIDS will be expanded. HIV/AIDS prevention activities are an integral part of USAID programs in economic growth and education programs throughout the region. In its efforts to slow the spread of HIV/AIDS, USAID will continue to enlist the support of community-based partners, including faith-based organizations.

Democracy, Conflict, and Humanitarian Response President Bush has stated: "The world's help must encourage developing countries to make the right choices for their own people. Good governance is an essential condition of development." Indeed, Africa's better-managed countries have also made the greatest gains in political rights and civil liberties. USAID supports the application of democratic principles and good governance by promoting representative political processes and institutions, the rule of law, the growth of a vibrant civil society and respect for human rights. In many countries in the region, USAID has closely integrated the principles of participation, transparency, and sound governance throughout their development portfolios in addition to supporting discrete democracy, governance, and conflict prevention and mitigation programs. Funding for these programs will total \$67.8 million in FY 2004.

In FY 2003, USAID will begin implementing a new initiative to address one of the region's most insidious development challenges, corruption. The Africa region will also be a full participant in the Agency-wide conflict prevention program. Regional and bilateral programs will emphasize conflict mitigation and management; community reintegration; promotion of African networks and capacities to identify and respond to potential crises; information sharing; and research and pilot efforts to address cross-border, resource-based, and other types of conflict.